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# UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

## FIRST COUNTRY COOPERATION FRAMEWORK FOR VENEZUELA (1997-1999)

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## INTRODUCTION

1. This document reflects the proposals made by the Central Office for Coordination and Planning (CORDIPLAN) of the Presidency of the Republic of Venezuela and analysis of the following documents: (a) mid-term review of the UNDP programming cycle; (b) programme elements and proposals of the Ninth National Plan (1994-1999), A Project for the Country: Development with Equity; (c) the elements and strategies of Agenda Venezuela, the basic instrument for Venezuela's negotiations with the International Monetary Fund (IMF) signed in July 1996, and the partial evaluations of the adjustment carried out since that date; and (d) the advisory note submitted for the consideration of CORDIPLAN by the UNDP Resident Representative in Venezuela; this note was the product of an extensive consultation process with those agencies of the United Nations system that are represented in Venezuela, various government bodies and non-governmental organizations.

## I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Up until the start of the 1980s, Venezuela benefited from its status as a petroleum-producing country; this raised expectations of real social mobility and also accelerated plans for economic growth. Under these circumstances, the State assumed the role of promoter and entrepreneur of productive activities.

3. In 1989, faced with a substantial increase in the national debt, a decrease in currency reserves and the deterioration of real wages, Venezuela adopted a structural adjustment programme aimed at putting the economy on a sound basis and initiating a real development programme.

4. In that same year, socio-political deterioration, the measures which had been imposed and growing inflation caused major social upheaval which seriously affected the adjustment programme. Reform of the State was imposed, and the process of political and administrative decentralization was initiated through the direct election of governors and mayors in all parts of the country. At the same time, opportunities emerged to involve civil society in order to extend the State's capacity of response.

5. Despite the improvement in economic indicators, political instability augmented in 1991-1992. There were two failed coups d'état in 1992 and the legal authority of the President of the Republic was suspended. Throughout 1993, the process of change and the transformation measures of the structural adjustment programme lost impetus.

6. A new Government was elected at the end of 1993. Its basic objective was to achieve political stability and adopt economic measures other than the adjustment programme. The decisions taken to counter the crisis in the financial system were of a policy nature, directed at establishing exchange controls and control of the costs and tariffs of goods and services, as well as increasing tax revenue from non-petroleum sources.

7. The Government drew up in 1994 the Plan for Macroeconomic Recovery and Stabilization and, finally, in 1995, the Ninth National Plan and the Anti-inflationary Plan. The execution of these plans led to a slight recovery of economic activity, with a 2.2 per cent increase in gross domestic product (GDP), strongly influenced by a 6 per cent increase in the petroleum sector. Moreover, inflation decreased by 59.9 per cent owing to the application of a pricing system and exchange controls.

The new realities: Agenda Venezuela

8. The increase in the fiscal deficit and the fall in currency reserves made it necessary to review the strategies for social and political stabilization. In July 1996, the Agenda Venezuela programme was signed with the International Monetary Fund.

9. Venezuela's current priorities are to be found in the Ninth National Plan, and form part of Agenda Venezuela. They are: growth with equity; social and economic integration of the population; transformation of the State; and modernization of the economy.

10. Agenda Venezuela proposes: (a) gradually reducing the fiscal deficit as a strategy for creating anti-inflationary expectations and laying the groundwork for stable economic growth; (b) flexibilizing exchange controls; (c) strengthening monetary policy and the financial sector; (d) carrying out structural reform of the social security system; (e) employment training; (f) expanding the competitive price regime; (g) invigorating the productive sector; (h) reforming the public administration; and (i) privatizing State enterprises.

11. These measures were adopted progressively from April 1996 onwards, and have remained within the limits laid down by the Government. A basic political agreement has been achieved, mainly to halt the process of inflation. The Government has also committed itself to increasing social spending to 2 per cent of GDP; this has required a massive expansion of the principal programmes of services and support for those with the administrative experience and capacity for direct provision of services. The result has been a climate of stability, in spite of the deterioration in the quality of life and the high inflation rates.

12. Despite the effort to maintain the quality of life, Venezuela is suffering from a growing loss of social mobility and the purchasing power of earnings, and this has led to an increase in urban violence. Moreover, the weakening of the political leadership cannot be ignored; this is forcing the needed revision of the systems of representativeness and citizen participation that are essential for the maturation of the development strategies which have been adopted.

Human development in Venezuela

13. Although Venezuela has maintained high rates of human development, these have decreased continually since 1991. Venezuela is thus nearly at the limit of countries with median human development. This decrease is the result of the

fall of GDP per capita and the deterioration of the buying power of the middle class in almost all parts of the country.

14. Poverty. Official measurements of poverty for 1996 indicate that 48.96 per cent of the population live in poverty and 21.70 per cent in extreme poverty. Those under 15 years of age form the most affected sector. Conditions of inequality are made more acute by officially recorded unemployment and the increase in the parallel or non-structured (informal) economy, which represents 49.8 per cent of the workforce.

15. Income. The loss of purchasing power of earnings has been enormous; it is estimated to have fallen by 30 per cent from 1960 to 1995. Between 1990 and August 1996, the cost of the basic shopping basket increased by 1,083 per cent; and this, added to the loss of purchasing power of earnings, has affected both the middle- and working-class sectors of the population and accentuated social inequality.

16. The status of women. Venezuelan women have access to health and educational services in acceptable conditions of equality. However, there are still discriminatory situations in political participation, income and employment. In 1995, female unemployment rose from 40.1 per cent to 43.5 per cent while, over the same period male unemployment fell from 9.2 per cent to 8.7 per cent. This is particularly serious when it is considered that the situation of female labour directly affects the overall situation of the family, in that women heads of households are increasingly more numerous in the poorest areas. Also, teenage pregnancies represent 20 per cent of the total number of pregnancies in the country.

17. Education. Between 1994 and 1995 the number of children enrolled in basic education rose by 0.76 per cent and the natural population growth was 2 per cent; this reflects the education system's limited ability to absorb the demand. A decrease in the attraction of secondary education is leading to a substantial decrease in the enrolment of youth from 14 to 18 years of age. Higher education, to which only 3 per cent of the population has access, absorbs a third of the resources devoted to this sector and is subject to strong growth pressures.

## II. RESULTS AND LESSONS OF PAST COOPERATION

18. UNDP cooperation during the fifth cycle concentrated on transformation of the State as the key strategy for national development, centred on four lines of action: modernization and decentralization of the public sector with broader citizen participation; management of the social sector; protection of the environment and natural resources; and strengthening of the production sector.

19. The Venezuelan Government states that, during the fifth cycle, UNDP cooperation: (a) catalysed the institutional strengthening of governmental agencies and the training of their human resources in new management techniques; (b) used seed money effectively; (c) mobilized resources; (d) supported the promotion of social participation; and (e) responded to national priorities and needs.

20. The lessons learned during the implementation of the fifth cycle may be grouped into three areas: (a) Programmatic: the objectives were and continue to be pertinent and relevant, so that the change of Government stressed management of the social sector, without neglecting other issues; (b) Operational: the mid-term review recommended reviewing the instruments which measure the effectiveness of each stage of the project cycle and emphasizing strengthening of national training; the UNDP office agreed to carry out these recommendations; and (c) Financial: US$ 17 were mobilized for each dollar of the indicative planning figure (IPF). This was US$ 11 above the pre-established target, which shows the importance of flexibility, credibility and objectivity and the timely access to technology and senior international advisers offered by UNDP.

## III. PROPOSED STRATEGY AND THEMATIC AREAS

### A. Strategy

21. The Venezuelan Government proposes that, for the 1997-1999 period, UNDP assistance should focus on: promoting sustainable human development, with special emphasis on modernization of the State and decentralization; promoting social and human development; and combating poverty. Consequently, UNDP cooperation needs to have catalytic effects in support of the current transformation process, and should therefore be concentrated on: (a) carrying out cooperation activities aimed at effective internal and external coherence; (b) giving legitimacy to and facilitating collaboration by different social protagonists; and (c) mobilizing additional resources in order to achieve more and strengthen management capabilities. Also, UNDP will support operational activities of the agencies of the United Nations system and compliance with the commitments assumed by Venezuela at United Nations conferences.

### B. Thematic areas

22. UNDP cooperation will be concentrated in three thematic areas: (a) promoting sustainable human development; (b) strengthening national capacity to implement programmes and projects relating to sustainable human development; and (c) promoting democratic governance and the reform of the State. UNDP participation in intersectoral issues is also proposed, for example in following up the implementation of decisions and commitments stemming from United Nations conferences and summit meetings and in strengthening national capacity with respect to the advancement of women and to population programmes.

23. In these thematic areas, UNDP technical cooperation will address strategic activities related to the Ninth National Plan and the Agenda Venezuela adjustment programme.

Promotion of sustainable human development

24. UNDP participation will be centred on providing instruments that contribute to the formulation and implementation of a national consensus strategy which directs economic growth towards achieving equitable distribution. This

translates into: (a) the institutionalization and putting into operation of a platform for promoting the concept of sustainable human development, on a national, state and municipal level, through a dissemination strategy which has repercussions on all UNDP projects; (b) the individualization, preparation, approval and execution of programmes and/or projects for the preparation of reliable indicators and databases which can be applied to analysing the basic needs of the population and the existing socio-economic disparities, with priority being given to support for the production and systematization of national statistics; and (c) support for the formulation of social policies, or changes in orientation of such policies, through mechanisms which individualize beneficiaries and target social programmes in order to increase the efficiency and effectiveness of public and private social activities, while strengthening the capacity of civil society in the decision-making organs at the local, state and national levels.

Strengthening national capacity to execute programmes and projects related to sustainable human development

25. In the institutional reform process, one of the national priorities is the strengthening, restructuring and downsizing of the State. This is closely related to increased management efficiency. UNDP will contribute to training executives, to providing management instruments to the government sector, and to updating it through the incorporation of new technologies. In particular, it will collaborate with programmes which, according to Agenda Venezuela, represent investments in human capital, such as those outlined below.

26. Health. UNDP will continue to support the Programme for Health Services Reform (Health Project) and the Programme for the Control of Endemic Diseases. It also proposes to support the Maternal and Child Feeding Programme and provide medical supplies to clinics in the poorest parts of the country.

27. Education. UNDP will provide assistance to increase the quality of the Venezuelan educational system by: (a) improving national capacity to formulate and apply the national education services' policy; and (b) strengthening the mechanisms for administrative, technical and financial management of the decentralization processes.

28. Basic services. UNDP will promote the participation of the private sector and the municipalities in providing and modernizing urban transport, and will support the Urban Transport Fund in its capacity as the administrative and financial entity for the sub-sector. In the water supply sector, UNDP will contribute to the creation of regional companies to supply drinking water for zones in a critical situation.

29. Environment. UNDP will continue to support the application of policies for integrating economic growth with environmental protection; it will also contribute to defining the national strategy on biological diversity and on the reduction of the use of substances which affect the ozone layer (Montreal Protocol).

30. Employment and income generation. UNDP will provide assistance in order to strengthen local capacity to formulate a national employment programme which

would include workforce reconversion and reinsertion, employment of youth living in conditions of poverty, and the development of micro-enterprises. It will also facilitate the building of a consensus between the different protagonists in the design and application of labour policies.

31. Social security. UNDP will offer technical assistance for the legal reform of the social services regime and will support the development of new systems of pension and medical insurance funds.

Democratic governance and State reform

32. UNDP will centre its support on the following issues:

33. Representative democracy with community participation. UNDP assistance will be directed towards establishing mechanisms and evaluating experiences leading to representative democracy with community participation in matters such as the administration of justice and electoral reform, and will promote the creation of opportunities for democratic discussion between the different sectors of society.

34. Decentralization. UNDP will continue to support the decentralization process begun in 1989 and strengthen its technical content at the three levels of government - national, state and municipal; it will support development of the management capacity of the states, expansion of the links between states and municipalities and the incorporation into the process of the private sector and of civil society organizations.

Intersectoral issues

35. UNDP will provide special support for follow-up on the decisions and commitments made by Venezuela at the various United Nations conferences and summit meetings. In particular, it will provide support to strengthen and develop strategies for the advancement of women and population programmes.

## IV. MANAGEMENT ARRANGEMENTS

### A. Execution and implementation

36. The cooperation framework for Venezuela will have an initial duration of three years (1997-1999) and will be put into effect primarily through the national implementation execution modality and the programmatic approach to specific issues.

37. The national counterpart office in charge of coordinating, monitoring and evaluating UNDP cooperation programmes is the Central Office for Coordination and Planning (CORDIPLAN) of the Presidency of the Republic. It will be complemented by the support of the specialized agencies of the United Nations system.

38. The programme objectives require UNDP assistance in order to mobilize external resources to complement national resources or those from multilateral agreements, when necessary.

## B. Monitoring and evaluation

39. The Central Office for Coordination and Planning (CORDIPLAN) in the Presidency of the Republic and UNDP will systematically evaluate the impact and effectiveness of the programme activities under the cooperation framework. To this end, instruments will be established to measure the impact on sustainable human development, and simple methodologies will be prepared to verify social conditions; this will make it possible to determine the results of the activities which have been carried out.

40. It is essential for the traditional mechanisms of monitoring and control to be applied in the management of the programme and projects; these include periodic visits, tripartite meetings and reports on the progress of work.

41. The cooperation framework will be reviewed annually with the UNDP Regional Bureau in order to determine its achievements, its quality and its impact. After two years it will be evaluated and the Government and UNDP will prepare a consolidated report. This report will reflect the achievements of the programme and the projects, the goals established, the management and policy indicators which may have had a positive or negative affect on implementation and the financial aspects, including those of resource mobilization.

42. Both CORDIPLAN and the office of the Resident Representative will have to maintain up-to-date information on the progress of the activities provided for in the cooperation framework; mechanisms for coordination and consultation with the agencies responsible for the execution of the programme and projects are therefore indispensable.

## C. Resource mobilization

43. As the goal for resource mobilization, it is hoped to increase the ratio of UNDP resources to national resources to 1:20.

44. In order to achieve this goal, there will have to be a coordinated promotion of cooperation activities which facilitates integration of financial resources from both the United Nations system and from bilateral and multilateral sources which provide technical assistance to the country.

Annex

RESOURCE MOBILIZATION OBJECTIVES FOR VENEZUELA (1997-1999)

(In thousands of United States dollars)

| Source | Amount | Comments |
|---|---|---|
| UNDP CORE FUNDS | | |
| Estimate of IPF available | 379 | |
| TRAC 1.1.1 | 606 | Assigned immediately to country. |
| TRAC 1.1.2 | 0 to 66 per cent of TRAC 1.1.1 | These percentages are presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the percentages will also be subject to availability of resources. |
| Other resources | 132 | Add-on funds. |
| SPPD/STS | 53 | |
| Subtotal | 1 170[a] | |
| NON-CORE FUNDS | | |
| Government cost-sharing | 34 000 | |
| Sustainable development funds | 1 750 | |
| of which: | | |
| World Environment Fund | 250 | |
| Montreal Protocol | 1 500 | |
| Third-party cost-sharing | - | |
| Funds, trust funds and other resources | | |
| ICAO | 30 | |
| Subtotal | 35 780 | |
| TOTAL | 36 950[a] | |

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignments from the core; ICAO = International Civil Aviation Organization.

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